KEYSER MARSTON ASSOCIATES
ADVISORS IN PUBLIC/PRIVATE REAL ESTATE DEVELOPMENT

MEMORANDUM

To:	Meggan Sorensen, Housing Development Officer City of Long Beach
CC:	Silvia Medina
From:	Tim Bretz
Date:	November 29, 2021
Subject:	26 Point 2 Apartments: Financial Gap Analysis

At your request, Keyser Marston Associates, Inc. (KMA) prepared a financial gap analysis for the project proposed to be developed at 3590 East Pacific Coast Highway (Site) by Excelerate Housing Group (Developer). The project will include 76 apartment units that will be restricted to extremely-low, very-low and low income households and one un-restricted unit reserved for an on-site manager (Project). Furthermore, the Developer proposes to restrict the 76 affordable units as permanent supportive housing (PSH) units.

The Developer is requesting financial assistance from the Long Beach Community Investment Company (LBCIC) for the purposes of developing the Project. The purpose of this KMA analysis is to evaluate the Developer's request for financial assistance.

EXECUTIVE SUMMARY

Estimated Financial Gap

The results of the KMA financial gap analysis are compared to the Developer's financial assistance request in the following table:

	KMA	Developer	Difference
Total Construction Costs	$41,468,000	$41,534,000	($66,000)
Outside Funding Sources	37,516,000	37,534,000	(18,000)
Financial Gap	$3,952,000	$4,000,000	($48,000)

As shown in the preceding table, KMA estimates the Project's financial gap at $3.95 million. In comparison, the Developer is requesting $4.0 million in financial assistance from the LBCIC. This equates to a $48,000 difference, or approximately 1% differential, which can be considered inconsequential.

Proposed Funding Sources

The following summarizes the funding sources for the Project:

1. The Developer was awarded 76 Section 8 Project-Based Vouchers (PBVs) allocated to the Long Beach Housing Authority (LBHA) by the United States Department of Housing and Urban Development (HUD).

2. The Project's stabilized net operating income (NOI), largely due to the 76 PBVs, supports $11.20 million in Tax-Exempt Multifamily Bonds (Bonds), which are allocated by the California Debt Limit Allocation Committee (CDLAC).

3. The Developer was awarded 4% Federal Low Income Housing Tax Credits (Tax Credits) from the California Tax Credit Allocation Committee (TCAC) that are awarded to projects that receive a Bond allocation from CDLAC. The net Tax Credit proceeds are estimated at $13.19 million.

4. The Developer was awarded State Tax Credits from TCAC. The net State Tax Credit proceeds are estimated at $6.32 million.

5. The Developer was awarded a $5.0 million loan from the Los Angeles County Development Authority (LACDA).

6. The Developer proposes to defer $1.15 million of the total $3.30 million Developer Fee, or 35% of the Developer Fee. The Deferred Developer Fee will be split into two components as follows:

a. Deferred Developer Fee #1 will be set at $350,000 which allows the Developer to receive the maximum cash Developer Fee of $2.50 million that is allowed by LBCIC. This Deferred Developer Fee component will be repaid out of the Project's net cash flow prior to residual receipts payments.

b. Deferred Developer Fee #2 will be set at $800,000, which represents any amount of the Developer Fee above $2.50 million. This Deferred Developer Fee component will be repaid out of the Developer's 50% share of residual receipts payments.

7. The Developer is requesting $4.0 million in financial assistance from LBCIC, which will consist entirely of Low and Moderate Income Housing Asset (LMIHAF) funds. KMA recommends that LBCIC's financial assistance be structured as follows:

a. $3.0 million is available to be fully drawn upon during construction;

b. An additional $1.0 million will be used to fund the direct cost contingency allowance. LBCIC will approve all disbursements from this contingency allowance. The Developer will need to justify the use of these additional funds in order for LBCIC to approve disbursements.

c. The Developer is required to apply for funds from the Federal Home Loan Bank of California Affordable Housing Program (AHP). If the Developer does not receive an award during the first AHP funding round, the Developer is required to apply a second time. If the Developer receives an award of AHP funds, these funds should be used to reduce the LBCIC financial assistance amount.

d. Any funds disbursed by LBCIC during construction will accrue 3% simple interest during the Project's construction period. These interest obligations will be deferred until after the completion of construction and will then be included in the LBCIC permanent loan.

e. The LBCIC permanent loan will have the following terms:

i. A 3% simple interest rate;

ii. A 55-year term; and

iii. Repaid from LBCIC's pro rata share of 50% of the Project's annual residual receipts payments.

PROJECT DESCRIPTION

The Project's scope of development can be described as follows:

1. The Site area totals 0.53 acres, or approximately 23,300 square feet of land area.

2. The Site currently contains a two-story 10-unit office building and a 39-space surface parking lot. The office building is currently occupied with four businesses on short term leases that are anticipated to vacate the property by the end of November 2021.

3. The 77-unit Project represents a density of 144 units per acre.

4. The Project's unit mix is as follows:

	Number of Units	Unit Size (SF)
Studio Units	76	350
Two-Bedroom Units	1	900
Total / Weighted Average	77	357

5. The Project's gross building area (GBA) is estimated at 50,603 square feet and is comprised of the following:

   a. The residential GBA is estimated at 27,500 square feet;

   b. The community room space is estimated at 1,075 square feet; and

   c. The common area/social service provider/circulation space is estimated at 22,028 square feet.

6. The Project includes 18 at-grade podium parking spaces, which equates to 0.23 parking spaces per unit.

7. The Project's affordability mix is as follows:

LBCIC Restricted Units	
Tax Credit @ 30% AMI / Extremely Low H&SC[1]	12
Tax Credit @ 30% AMI / Low H&SC	25
Additional Restricted Units (TCAC)	
Tax Credit @ 30% AMI / Low H&SC	1
Tax Credit @ 40% AMI / Low H&SC	13
Tax Credit @ 50% AMI / Low H&SC	13
Tax Credit @ 60% AMI / Low H&SC	12
Unrestricted Manager's Unit	1
Total Units	77

FINANCIAL GAP ANALYSIS

KMA prepared a pro forma analysis to estimate the Project's financial gap. The analysis is located at the end of this memorandum, and is organized as follows:

Table 1:	Estimated Development Costs
Table 2:	Stabilized Net Operating Income
Table 3:	Financial Gap Calculation
Table 4:	Cash Flow Analysis

[1] H&SC = California Health and Safety Code income and rent restrictions.

Estimated Development Costs (Table 1)

KMA reviewed the Developer's November 11, 2021 pro forma which was updated on November 29, 2021, and then independently prepared a pro forma analysis of the Project. The resulting development costs are estimated as follows:

PROPERTY ASSEMBLAGE COSTS

The total property assemblage costs are estimated at $2.90 million as follows:

Property Acquisition Costs

The Developer purchased the Site in 2019 for $2.50 million, or $107 per square foot of land area. The Site consists of a two-story, 10-unit office building and a surface parking lot. The Developer provided a Purchase and Sale Agreement between the Developer and a private party which set the purchase price at $2.50 million. An appraisal was not provided for review.

Relocation Costs

As noted above, the Site contains an existing office building. At the time of purchase, the office building was 50% occupied with five businesses on short term leases. As such, Overland, Pacific & Cutler, LLC prepared a relocation plan on March 18, 2020. The relocation plan estimates the relocation costs at $374,000. When the $374,000 in direct relocation costs are combined with the $28,000 in costs required to prepare the relocation plan, the total relocation costs are estimated at $403,000.

DIRECT COSTS

The direct costs assume that the Project will be subject to State of California and/or Federal Davis Bacon prevailing wage requirements. The Developer received bids from five general contractors. Based on those bids and a review by the construction lender, the Developer chose Benchmark Contractors, Inc. (Benchmark) (an affiliate of Morley Builders) as the general contractor for the Project.

Benchmark provided a construction cost estimate dated September 2, 2021. The construction costs included in the Developer's pro forma align with the September 2, 2021 estimate prepared by Benchmark. As such, KMA used the Developer's direct cost estimates in this analysis. The direct costs are estimated as follows:

1. The off-site improvement costs are estimated at $125,000. City staff should verify the accuracy of this estimate.

2. The demolition/remediation costs are estimated at $660,000.

3. The site improvement costs are estimated at $180,000, or $8 per square foot of land area.

4. The residential building costs are estimated at $19.90 million, or $393 per square foot of GBA.

5. The Developer included a $356,000 allowance for furnishings, fixtures and equipment.

6. A 14% allowance for contractor's fees and general requirements is provided.

7. An allowance for construction bonds / general liability insurance at 2% of construction costs is provided.

8. The total direct cost contingency allowance is estimated at 7% of other direct costs based on the following:

   a. A general contractor contingency allowance equal to 2% of other direct costs is provided; and

   b. A Developer direct cost contingency allowance equal to 5% of other direct cost is provided.

The total direct costs are estimated at $26.14 million, or $516 per square foot of GBA.

Indirect Costs

KMA utilized the following assumptions in estimating the indirect costs:

1. The architecture, engineering and consulting costs are estimated at 9.5% of direct costs.

2. The Developer estimates the public permits and fees costs at $1.01 million, or approximately $13,200 per unit. City staff should verify the accuracy of this estimate.

3. The taxes, insurance, legal and accounting costs are estimated at 3% of direct costs.

4. A $1,300 per unit allowance for marketing and leasing costs is provided.

5. The Developer set the Developer Fee at $3.30 million, which is below the maximum amount allowed by TCAC for this Project.[2]

6. The Developer included an indirect cost contingency allowance equal to 2% of other indirect costs.

KMA estimates the total indirect costs at $7.83 million.

FINANCING COSTS

The Project is proposed to be developed with Tax-Exempt Multifamily Bonds allocated by CDLAC. To comply with Internal Revenue Service (IRS) requirements, the Bonds must be equal to at least 50% of the land acquisition costs plus the eligible Tax Credit basis. In addition, the Bond funds must be sufficient to cover the development costs that do not have funding from other sources.

In this case, the Project's estimated NOI can only support an $11.20 million Bond; this will be called the Series A Bond. Based on the amount of Bonds awarded by CDLAC and to fulfill the 50% Test, a Series B Bond totaling $9.49 million will be obtained. The sum of the Series A and Series B Bonds totals $20.69 million.

However, the $20.69 million in Series A and Series B Bonds is not sufficient to cover the Project's construction costs. As such, the Developer will obtain the following additional construction loans:

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[2] $1.15 million, or 35%, of the total Developer Fee will be permanently deferred: $350,000 will be repaid from net cash flow prior to residual receipts payments and $800,000 will be repaid from the Developer's share of residual receipts.

1. A $4.92 million taxable construction loan; and

2. A $4.90 million construction loan from Century Housing. This loan will be taken out by the LACDA loan, which is not anticipated to be available until August 2022, at the earliest.

The financing costs for the Project are estimated as follows:

1. The Developer obtained a $2.25 million acquisition loan from Century Housing. The accrued interest on the acquisition loan is estimated at $352,000 based on the following terms:

    a. A 6.50% interest rate;

    b. A 29-month term; and

    c. A 100% average outstanding balance.

2. The Developer obtained a $1.15 million predevelopment loan from Century Housing. The accrued interest on the predevelopment loan is estimated at $223,000 based on the following terms:

    a. A 10.0% interest rate;

    b. A 24-month term; and

    c. A 100% average outstanding balance.

3. The construction period interest costs incurred on the Series A Bond, Series B Bond and taxable construction loan are estimated at $1.23 million based on the following terms:

    a. A 2.85% interest rate;

    b. A 24-month construction period with a 55% average outstanding balance; and

    c. A 7-month absorption period with a 100% average outstanding balance.

4. The construction period interest costs incurred on the Century Housing construction loan are estimated at $509,000 based on the following terms:

   a. A 7.0% interest rate;

   b. A 24-month construction period with a 45% average outstanding balance; and

   c. A 7-month absorption period with a 100% average outstanding balance.

5. The LACDA financial assistance will accrue 3% simple interest during the construction period. The LACDA interest costs are estimated at $313,000. These interest costs will be deferred as a permanent funding source.

6. The LBCIC financial assistance will accrue 3% simple interest during the construction period. It is assumed that LBCIC will disburse 100% of the funds at the start of construction. The LBCIC interest costs are estimated at $310,000. These interest costs will be deferred as a permanent funding source.

7. The financing fees are estimated as follows:

   a. Century Housing Acquisition Loan – 1.75 points or $39,000;

   b. Century Housing Predevelopment Loan – 2.50 points or $29,000; and

   c. Series A Bond, Series B Bond, Taxable Loan and Century Housing Loan – 3.25 points or $991,000.

8. A $543,000 capitalized operating reserve is provided, which equates to approximately six months of operating expenses and debt service payments.

9. The Developer stated that a capitalized transition reserve will not be required for the Project.

10. The CDLAC/compliance monitoring fees are estimated at $14,000.

11. The TCAC fees are estimated at $46,000 based on the following:

    a. A $2,000 application fee;

b. A $410 per unit monitoring fee; and

c. One percent (1%) of the gross Tax Credit proceeds for one year.

KMA estimates the total financing costs at $4.60 million.

TOTAL DEVELOPMENT COSTS

As shown in Table 1, KMA estimates the total development costs at $41.47 million, or $538,500 per unit. In comparison, the Developer estimates the total development costs at $41.53 million, or $539,400 per unit. This represents a $66,000, or less than 1% differential, which can be considered inconsequential.

Stabilized Net Operating Income

The Project's outside funding sources include Bonds, Tax Credits, and LACDA funds. In addition, the LBCIC proposes to LMIHAF funds for the Project. These programs all publish income limits for households that are qualified to reside in the development.

TCAC publishes rent standards for projects that receive Tax Credits, and LACDA allows the use of Tax Credit rents. Comparatively, H&SC Section 50053 defines the methodology that must be used to calculate the affordable housing costs for projects that are receiving LMIHAF assistance.

In addition, the City has a program to waive certain development impact fees for affordable housing projects. To obtain the fee waiver, the household incomes must be restricted per H&SC Section 50079.5 and the affordable rents must be restricted per H&SC Section 50053.

The Developer will be required to adhere to the strictest of the standards imposed by the funding sources contributed to the Project.

TENANT-PAID RENTS

The rents used in this analysis are based on 2021 income and rent information published by TCAC and HCD. The Developer stated that the Project will pay for all utility costs. As such, a utility allowance is not deducted from the applicable gross rents. The maximum allowable rents are estimated as follows:[3]

Rent Restriction	Number of Units	Tax Credit Rent	H&SC Rent	Allowable Rent
LBCIC-Assisted Units				
TC @ 30% AMI / ELI H&SC	12	$621	$420	$420
TC @ 30% AMI / Low H&SC	25	$621	$840	$621
Additional Restricted Units (TCAC)				
TC @ 30% AMI / Low H&SC	1	$621	$840	$621
TC @ 40% AMI / Low H&SC	13	$828	$840	$828
TC @ 50% AMI / Low H&SC	13	$1,035	$840	$840
TC @ 60% AMI / Low H&SC	12	$1,242	$840	$840

Operating Subsidy

The Developer received an award of 76 PBVs for the Project from LBHA. The PBV subsidy income is equal to the difference between the rent paid by the tenant and the LBHA payment standard rent. The 2021 LBHA payment standard applicable to studio units in the Project is set at $1,369.

Effective Gross Income

KMA estimates the Project's effective gross income at $1.16 million based on the following:

[3] The City does not have Article 34 Authority and therefore, can restrict no more than 49% of the units in the Project with the use of LMIHAF funds.

1. The gross rental income is estimated at $635,500.

2. The gross PBV subsidy income is estimated at $613,200.

3. The laundry and miscellaneous income is estimated at $4 per unit per month, or $3,700 per year.

4. A 7% vacancy and collection allowance is applied to the Project's gross income.

Estimated Operating Expenses

The operating expenses are estimated at $567,100, or $7,400 per unit per year based on the following:

1. The general operating expenses are estimated at $6,650 per unit per year, which is above the minimum amount required by TCAC for special needs projects.

2. KMA assumes that the Developer will apply for the property tax abatement that is accorded to non-profit housing organizations that own and operate units restricted to households earning less than 80% of the area median income. The property tax assessment overrides are estimated at $6,700 per year.

3. The Developer did not include an allowance for social service expenses in the Project's operating expense budget. The Developer stated that all services, including case management and service coordination, will be paid through contracts with the County Health Department and funded through Measure H or under CalAIM.

4. The annual bond issuer fee is set at $5,500.

5. The LACDA monitoring fee is set at $7,150 per year.

6. LBCIC will impose a monitoring fee equal to $160 per affordable unit per year, or $12,200.

7. The replacement reserve deposits are set at $300 per unit per year, or $23,100.

Estimated Stabilized Net Operating Income

The effective gross income of the Project is estimated at $1.16 million and the operating expenses are estimated $567,100. This results in an estimated NOI of $597,700.

Financial Gap Calculation

Available Outside Funding Sources

Tax-Exempt Multifamily Bonds

To estimate the maximum Bond amount that can be supported by the Project's NOI, KMA assumed that the Bonds would be underwritten based on the following requirements:

1. A 1.15 debt service coverage ratio;

2. A 3.49% interest rate; and

3. A 40-year amortization period with a 15-year repayment term.

KMA estimates that the Project's stabilized NOI can support $11.20 million in Bonds

Federal 4% Tax Credit Equity

The net 4% Federal Tax Credit Proceeds are estimated at $13.19 million based on the following assumptions:

1. The Project's eligible Tax Credit basis is equal to the lesser of the depreciable costs for the 77 Tax Credit units, or the threshold basis limits established by TCAC. In this case, the depreciable costs of $35.08 million are less than the threshold basis limits.

2. The Project is not located in a designated "Difficult to Develop" census tract. The eligible basis is not allowed to be increased by 30%.

3. The annual Tax Credit rate is set at 4.0%. This rate is applied over the 10-year Tax Credit period.

4. 100% of the Project's residential building area is included in the eligible basis is located in units that qualify for Tax Credits.

5. The net syndication value supported by the Tax Credit is ultimately determined based on competitive market conditions, and on the timing of disbursements. Based on currently available information, the Developer estimates the proceeds at $0.94 per gross Tax Credit dollar.

State Tax Credit Equity

The Developer was awarded $8.42 million in gross State Tax Credits from TCAC. The Developer estimates the net proceeds at $0.75 per gross Tax Credit dollar. As such, the net State Tax Credit equity available to the Project is estimated at $6.32 million.

LACDA Loan

The Developer received an award of $5.0 million in funds from LACDA.

LACDA Loan Accrued/Deferred Interest

The LACDA assistance is not anticipated to be disbursed until August 2022 – at the earliest. Upon disbursement, the LACDA assistance will accrue 3% simple interest during the Project's construction period. This accrued interest will be converted to permanent financing for the Project. The LACDA interest amount will be repaid through the residual receipts generated by the Project over time. The total LACDA interest amount is estimated at $313,000.

LBCIC Loan Accrued/Deferred Interest

The LBCIC assistance will accrue 3% simple interest during the Project's construction period. This accrued interest will be converted to permanent financing for the Project. The LBCIC interest amount will be repaid through the residual receipts generated by the Project over time. The total LBCIC interest amount is estimated at $310,000.

Deferred Developer Fee

The Developer is proposing to defer $1.15 million of the total Developer Fee, which equates to 35% of the total Developer Fee that is included in the Project's development costs. The Deferred Developer Fee will be split into two components as follows:

1. Deferred Developer Fee #1 will be set at $350,000 which allows the Developer to receive the maximum cash Developer Fee of $2.50 million that is allowed by LBCIC. This Deferred Developer Fee component will be repaid out of the Project's net cash flow prior to residual receipts payments.

2. Deferred Developer Fee #2 will be set at $800,000, which represents any amount of the Developer Fee above $2.50 million. This Deferred Developer Fee component will be repaid out of the Developer's 50% share of residual receipts payments.

Total Available Outside Funding Sources

As shown in Table 3, KMA estimates the outside funding sources available to the Project at $37.52 million. In comparison, the Developer estimates the available outside funding sources at $37.53 million. This represents a $18,000 differential, which can be considered inconsequential.

Financial Gap Calculation

Based on the preceding analysis, KMA estimates the Project's financial gap as follows:

Total Development Costs	$41,468,000
(Less) Total Available Funding Sources	(37,516,000)
Estimated Financial Gap	$3,952,000
Per Unit	$51,300

As shown in the preceding table, KMA estimates that the Project exhibits a $3.95 million financial gap. In contrast, the Developer is requesting $4.0 million in financial assistance from LBCIC. This represents a $48,000, or approximately 1% differential. It is the KMA opinion that a difference of this magnitude can be considered insignificant.

CONCLUSIONS / RECOMMENDATIONS

The following summarizes the conclusions and recommendations of the KMA analysis:

1. Based on currently available information, it is the KMA conclusion that the Developer's request for $4.0 million in LBCIC assistance is supported by the Project economics.

2. KMA recommends that the LBCIC's financial assistance be structured as follows:

   a. $3.0 million is available to be fully drawn upon during construction; and

   b. An additional $1.0 million will be used to fund the direct cost contingency allowance. LBCIC will approve all disbursements from this contingency allowance. The Developer will need to justify the use of these additional funds in order for LBCIC to approve disbursements.

3. The Developer is required to apply for funds from the Federal Home Loan Bank of California Affordable Housing Program (AHP). If the Developer does not receive an award during the first AHP funding round, the Developer is required to apply a second time. If the Developer receives an award of AHP funds, these funds should be used to reduce the LBCIC financial assistance amount.

4. Any funds disbursed by LBCIC during construction will accrue 3% simple interest during the Project's construction period. These interest obligations will be deferred until after the completion of construction and will then be included in the LBCIC permanent loan.

5. The LBCIC permanent loan will have the following terms:

   i. A 3% simple interest rate;

   ii. A 55-year term; and

   iii. Repaid from LBCIC's pro rata share of 50% of the Project's annual residual receipts payments.

6. The Developer proposes to defer $1.15 million of the total $3.30 million Developer Fee, or 35% of the Developer Fee. The Deferred Developer Fee will be split into two components as follows:

    a. Deferred Developer Fee #1 will be set at $350,000 which allows the Developer to receive the maximum cash Developer Fee of $2.50 million that is allowed by LBCIC. This Deferred Developer Fee component will be repaid out of the Project’s net cash flow prior to residual receipts payments.

    b. Deferred Developer Fee #2 will be set at $800,000, which represents any amount of the Developer Fee above $2.50 million. This Deferred Developer Fee component will be repaid out of the Developer’s 50% share of residual receipts payments.

7. The Project’s operating expense budget does not include any social service expenses. Per the Developer, the social services will be paid using external funding sources. The LBCIC’s legal agreements should contemplate a scenario in which these external funding sources are no longer available.

8. The Developer’s cash flow escalates the partnership fees at 3.5% per year. LBCIC should limit partnership fee escalations to the standard LBCIC requirements.

TABLE 1

ESTIMATED DEVELOPMENT COSTS
26 POINT 2 APARTMENTS
LONG BEACH, CALIFORNIA

		Note						
I.	**Property Assemblage Costs**							
	Property Acquisition Costs	1	23,299	Sf Land	$107	/Unit	$2,500,000	
	Relocation Costs	2					403,000	
	Total Property Assemblage Costs							**$2,903,000**
II.	**Direct Costs**	3						
	Off-site Improvements						$125,000	
	Demolition/Remediation Costs						660,000	
	On-site Improvements		23,299	Sf Land	$8	/Sf Land	180,000	
	Residential Building Costs		50,603	Sf GBA	$393	/Sf GBA	19,898,000	
	Furnishings, Fixtures & Equipment						356,000	
	Contractor Fees / General Requirements		14%	Construction Costs			2,828,000	
	General Liability Insurance / Const Bonds		2%	Construction Costs			465,000	
	GC Contingency Allowance		2%	Other Direct Costs			404,000	
	Developer Contingency Allowance		5%	Other Direct Costs			1,220,000	
	Total Direct Costs		**50,603**	**Sf GBA**	**$516**	**/Sf GBA**		**$26,136,000**
III.	**Indirect Costs**							
	Architecture, Engineering & Consulting		9.5%	Direct Costs			$2,483,000	
	Permits & Fees	4	77	Units	$13,166	/Unit	1,014,000	
	Taxes, Ins, Legal & Accounting		3.0%	Direct Costs			784,000	
	Marketing & Leasing		77	Units	$1,259	/Unit	97,000	
	Developer Fee	5	10%	Eligible Costs			3,300,000	
	Contingency Allowance		2%	Other Indirects			154,000	
	Total Indirect Costs							**$7,832,000**
IV.	**Financing Costs**							
	Interest During Construction							
	Century Acquisition Loan	6					$352,000	
	Developer Predevelopment Loan	6					223,000	
	Series A Bond	7	$11,198,000	Loan Amount	2.85%	Interest	537,000	
	Series B Bond	8	$9,492,000	Loan Amount	2.85%	Interest	455,000	
	Taxable Construction Loan	9	$4,919,000	Loan Amount	2.85%	Interest	236,000	
	Century Construction Loan	10	$4,902,000	Loan Amount	7.00%	Interest	509,000	
	LACDA Accrued/Deferred Interest	11	$4,000,000	Loan Amount	3.00%	Interest	313,000	
	LBCIC Accrued/Deferred Interest	12	$5,000,000	Loan Amount	3.00%	Interest	310,000	
	Financing Fees							
	Century Acquisition Loan		$2,250,000	Loan Amount	1.75	Points	39,000	
	Developer Predevelopment Loan		$1,150,000	Loan Amount	2.50	Points	29,000	
	Series A Bond		$11,198,000	Loan Amount	3.25	Points	364,000	
	Series B Bond		$9,492,000	Loan Amount	3.25	Points	308,000	
	Taxable Construction Loan		$4,919,000	Loan Amount	3.25	Points	160,000	
	Century Construction Loan		$4,902,000	Loan Amount	3.25	Points	159,000	
	Capitalized Reserves	4						
	Operating Reserve		6	Months Oper Expenses & Dbt Svc Pmts			543,000	
	Transition Reserve						-	
	CDLAC/Compliance Fees						14,000	
	TCAC Fees	13					46,000	
	Total Financing Costs							**$4,597,000**
V.	**Total Development Costs**		**77**	**Units**	**$538,500**	**/Unit**		**$41,468,000**

Prepared by: Keyser Marston Associates, Inc.
Filename: LB_26 Point 2_11 29 21.xlsm; Pro Forma; trb

TABLE 1 (CONTINUED)

ESTIMATED DEVELOPMENT COSTS (FOOTNOTES)
26 POINT 2 APARTMENTS
LONG BEACH, CALIFORNIA

[1] The Developer provided a purchase and sale agreement dated August 19, 2019 that set the purchase price at $2.50 million. An appraisal was not provided for review.

[2] A relocation plan prepared by Overland, Pacific & Cutler, LLC on March 18, 2020 estimated the relocation costs at $374,000. The additional $28,000 represents the costs required to prepare the relocation plan.

[3] Based on Developer's estimates. The estimates assume that prevailing wage requirements will be imposed on the Project.

[4] Based on Developer estimate. The estimate should be verified by City staff.

[5] Based on Developer estimate. The maximum amount allowed by TCAC is equal to 15% of the Project's eligible Tax Credit basis.

[6] Based on Developer estimate.

[7] Includes debt on the 75% of the Tax Credit Equity which will not be funded during construction. Assumes a 24-month construction period with a 55% average outstanding balance and a 7-month absorption period with a 100% average outstanding balance.

[8] Equal to the CDLAC bond allocation minus the Series A Bond amount; a 24-month construction period with a 55% average outstanding balance; and a 7-month absorption period with a 100% average outstanding balance.

[9] Equal to the unfunded construction costs minus the Series A and Series B Bond amounts; a 24-month construction period with a 55% average outstanding balance; and a 7-month absorption period with a 100% average outstanding balance.

[10] The LACDA Loan will not be available during construction until August 2022 (at the earliest). The Century Bridge Loan Interest is based on: a 24-month construction period with a 45% average outstanding balance; and a 7-month absorption period with a 100% average outstanding balance.

[11] Based on a 3.0% simple interest rate, a 24-month construction period with a 100% average outstanding balance, and a 7-month absorption period with a 100% average outstanding balance.

[12] Based on a 3.0% simple interest rate, an 18-month construction period with a 100% average outstanding balance, and a 7-month absorption period with a 100% average outstanding balance.

[13] Includes a $2,000 application fee; $410/unit monitoring fee; and 1% of the gross Tax Credit proceeds for one year.

TABLE 2

STABILIZED NET OPERATING INCOME
26 POINT 2 APARTMENTS
LONG BEACH, CALIFORNIA

I.	**Gross Residential Income** [1]							
	Manager's Unit	1	Unit	$0	/Unit/Month	$0	
	Studio Units @ (350-Sf)						
	LBCIC Restricted Units						
	Tax Credit @ 30% Median/ ELI H&SC	12	Units	$420	/Unit/Month	60,500	
	Tax Credit @ 30% Median / Low (60%) H&SC	25	Units	$621	/Unit/Month	186,300	
	Additional Restricted Units (TCAC)						
	Tax Credit @ 30% Median / Low (60%) H&SC	1	Units	$621	/Unit/Month	7,500	
	Tax Credit @ 40% Median / Low (60%) H&SC	13	Units	$828	/Unit/Month	129,200	
	Tax Credit @ 50% Median / Low (60%) H&SC	13	Units	$840	/Unit/Month	131,000	
	Tax Credit @ 60% Median / Low (60%) H&SC	12	Units	$840	/Unit/Month	121,000	
	Section 8 Subsidy						
	Studio Units @ (350-Sf)						
	Tax Credit @ 30% Median/ ELI H&SC	12	Units	$949	/Unit/Month	136,700	
	Tax Credit @ 30% Median / Low (60%) H&SC	25	Units	$748	/Unit/Month	224,400	
	Tax Credit @ 30% Median / Low (60%) H&SC	1	Units	$748	/Unit/Month	9,000	
	Tax Credit @ 40% Median / Low (60%) H&SC	13	Units	$541	/Unit/Month	84,400	
	Tax Credit @ 50% Median / Low (60%) H&SC	13	Units	$529	/Unit/Month	82,500	
	Tax Credit @ 60% Median / Low (60%) H&SC	12	Units	$529	/Unit/Month	76,200	
	Gross Rental Income	77	Units			$635,500	
	Subsidy Income	76	Units			613,200	
	Laundry and Miscellaneous	77	Units	$4	/Unit/Month	3,700	
	(Less) Vacancy & Collection Allowance	7.00%	Gross Income			(44,700)	
	(Less) Vacancy & Collection Allowance	7.00%	Gross Subsidy Income			(42,900)	
	Effective Gross Income						**$1,164,800**
II.	**Operating Expenses**						
	General Operating Expenses	77	Units	$6,654	/Unit	$512,400	
	Property Taxes [2]	77	Units	$87	/Unit	6,700	
	Services	77	Units	$0	/Unit	-	
	Trustee/Bond Issuer Fee	77	Units	$71	/Unit	5,500	
	LACDA Monitoring Fee					7,200	
	LBCIC Monitoring Fee	76	Aff Units	$160	/Aff Unit	12,200	
	Replacement Reserve	77	Units	$300	/Unit	23,100	
	Total Operating Expenses	77	Units	$7,365	/Unit		**$567,100**
III.	**Net Operating Income**						**$597,700**

[1] Based on Los Angeles County 2021 Incomes distributed by HUD and HCD. Based on rents published in 2021 by TCAC and CA H&SC Section 50053. Assumes the Project pays for all utility costs. As such, a utility allowance is not deducted from the gross rent.

[2] Based on the assumption that the Developer will receive the property tax abatement accorded to non-profit housing organizations that own and operate apartment units restricted to households earning less than 80% of the area median income.

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TABLE 3

FINANCIAL GAP CALCULATION
26 POINT 2 APARTMENTS
LONG BEACH, CALIFORNIA

I.	**Available Funding Sources**						
	Tax-Exempt Multifamily Bonds [1]						
	Net Operating Income	$597,700	NOI (See Table 2)				
	Income Available for Mortgage	1.15	DCR	$519,739	Debt Service		
	Interest Rate	3.49%	Interest Rate	4.64%	Mortgage Constant		
	Tax-Exempt Multifamily Bonds					**$11,198,000**	
	4% Tax Credit Equity [2]						
	Gross Tax Credit Value	$14,031,000					
	Syndication Rate	$0.94	/Tax Credit Dollar				
	Net Tax Credit Equity					**$13,188,000**	
	State Tax Credit Equity [2]						
	Gross Tax Credit Value	$8,423,000					
	Syndication Rate	75.00%	/Tax Credit Dollar				
	Net Tax Credit Equity					**$6,317,000**	
	LACDA					**$5,000,000**	
	LACDA Accrued/Deferred Interest					**$313,000**	
	LBCIC Accrued/Deferred Interest					**$310,000**	
	Commercial Income					**$40,000**	
	DDF #1 (Repaid Through Net Cash Flow) [3]			11%	Total Developer Fee	**$350,000**	
	DDF #2 (Repaid Through Developer's RRs) [4]			24%	Total Developer Fee	**$800,000**	
	Total Available Funding Sources						**$37,516,000**
II.	**Financial Gap Calculation**						
	Total Available Funding Sources					$37,516,000	
	(Less) Total Development Costs					(41,468,000)	
III.	**Financial Surplus / (Financial Gap)**	**77**	**Units**	**($51,300)**	**/Unit**		**($3,952,000)**

[1] Assumes a 40-year amortization term and a 15-year repayment term.

[2] Assumes a $35.1 million eligible basis, plus a 100% difficult-to-develop premium, a 4.00% Tax Credit rate and an applicable fraction of 100.00%.

[3] Based on Developer estimate. The Deferred Developer Fee #1 Component will be repaid through the Project's net cash flow prior to residual receipts distributions.

[4] Based on Developer estimate. The Deferred Developer Fee #2 Component will be repaid through the Developer's 50% share of residual receipts payments.

TABLE 4
CASH FLOW ANALYSIS
26 POINT 2 APARTMENTS
LONG BEACH, CALIFORNIA

			Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
I.	**Gross Residential Income** [1]											
	Gross Affordable Rental Income		$635,500	$651,388	$667,672	$684,364	$701,473	$719,010	$736,985	$755,410	$774,295	$793,652
	Gross Section 8 Subsidy		613,200	628,530	644,243	660,349	676,858	693,780	711,124	728,902	747,125	765,803
	Laundry & Misc. Income		3,700	3,793	3,887	3,984	4,084	4,186	4,291	4,398	4,508	4,621
	(Less) Vacancy & Collection Allowance		(87,668)	(89,860)	(92,107)	(94,409)	(96,769)	(99,189)	(101,668)	(104,210)	(106,815)	(109,486)
	Effective Gross Base Income		**$1,164,732**	**$1,193,850**	**$1,223,696**	**$1,254,289**	**$1,285,646**	**$1,317,787**	**$1,350,732**	**$1,384,500**	**$1,419,112**	**$1,454,590**
II.	**Operating Expenses** [2]											
	General Operating Expenses		$512,400	$530,334	$548,896	$568,107	$587,991	$608,570	$629,870	$651,916	$674,733	$698,349
	Property Taxes		6,700	6,834	6,971	7,110	7,252	7,397	7,545	7,696	7,850	8,007
	Services		0	-	-	-	-	-	-	-	-	-
	Trustee/Bond Issuer Fee		5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500
	LACDA Monitoring Fee		7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200
	LBCIC Monitoring Fee		12,200	12,200	12,200	12,200	12,200	12,200	12,200	12,200	12,200	12,200
	Replacement Reserve		23,100	23,100	23,100	23,100	23,100	23,100	23,100	23,100	23,100	23,100
	Total Operating Expenses		**$567,100**	**$585,168**	**$603,866**	**$623,217**	**$643,243**	**$663,968**	**$685,416**	**$707,612**	**$730,583**	**$754,356**
III.	**Net Operating Income**		**$597,632**	**$608,682**	**$619,830**	**$631,071**	**$642,403**	**$653,819**	**$665,316**	**$676,888**	**$688,529**	**$700,234**
	(Less) Debt Service [3]		(519,755)	(519,755)	(519,755)	(519,755)	(519,755)	(519,755)	(519,755)	(519,755)	(519,755)	(519,755)
	Net Income After Debt Service		**$77,877**	**$88,927**	**$100,075**	**$111,317**	**$122,648**	**$134,064**	**$145,561**	**$157,133**	**$168,774**	**$180,480**
IV.	**Cash Flow Available for Contingent Payments**		**$77,877**	**$88,927**	**$100,075**	**$111,317**	**$122,648**	**$134,064**	**$145,561**	**$157,133**	**$168,774**	**$180,480**
	(Less) Asset Mgt Fees [4]		(7,500)	(7,725)	(7,957)	(8,195)	(8,441)	(8,695)	(8,955)	(9,224)	(9,501)	(9,786)
	(Less) Deferred Developer Fee #1		(70,377)	(81,202)	(92,118)	(103,121)	(3,182)	0	0	0	0	0
	(Less) Partnership Fees [4]		0	0	0	0	(8,441)	(8,695)	(8,955)	(9,224)	(9,501)	(9,786)
V.	**Cash Flow after Contingent Payments**		**$0**	**$0**	**$0**	**$0**	**$102,583**	**$116,675**	**$127,650**	**$138,685**	**$149,773**	**$160,908**
	Nominal Dollars	**$39,235,867**		**$2,570,000**	NPV @ 10% Discount Rate							
VI.	**Residual Receipt Payments to LACDA @ 28% RRs**		**$0**	**$0**	**$0**	**$0**	**$28,495**	**$32,410**	**$35,458**	**$38,524**	**$41,604**	**$44,697**
	Nominal Dollars	**$10,898,852**		**$714,000**	NPV @ 10% Discount Rate							
VII.	**Residual Receipt Payments to LBCIC Loan @ 22% RRs**		**$0**	**$0**	**$0**	**$0**	**$22,796**	**$25,928**	**$28,367**	**$30,819**	**$33,283**	**$35,757**
	Nominal Dollars	**$8,719,081**		**$571,000**	NPV @ 10% Discount Rate							
VIII.	**Residual Receipt Payments to Developer @ 50% RRs**		**$0**	**$0**	**$0**	**$0**	**$51,292**	**$58,338**	**$63,825**	**$69,342**	**$74,886**	**$80,454**
	Nominal Dollars	**$19,617,933**		**$1,285,000**	NPV @ 10% Discount Rate							

1 The affordable rents, Section 8 subsidy and laundry/miscellaneous income are assumed to increase by 102.5%/year. Assumes Year 1 is at stabilization.
2 General operating expenses are assumed to increase by 103.5%/year, property taxes at 102.0%/year and trustee/bond issue fees, LACDA/LBCIC monitoring fees and replacement reserves remain constant.
3 SEE TABLE 3
4 Assumes fees increase at 103.0%/year.

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TABLE 4
CASH FLOW ANALYSIS
26 POINT 2 APARTMENTS
LONG BEACH, CALIFORNIA

		Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20	Year 21	Year 22
I.	Gross Residential Income [1]												
	Gross Affordable Rental Income	$813,494	$833,831	$854,677	$876,044	$897,945	$920,393	$943,403	$966,988	$991,163	$1,015,942	$1,041,341	$1,067,374
	Gross Section 8 Subsidy	784,948	804,572	824,686	845,303	866,436	888,096	910,299	933,056	956,383	980,292	1,004,800	1,029,920
	Laundry & Misc. Income	4,736	4,855	4,976	5,100	5,228	5,359	5,493	5,630	5,771	5,915	6,063	6,214
	(Less) Vacancy & Collection Allowance	(112,223)	(115,029)	(117,904)	(120,852)	(123,873)	(126,970)	(130,144)	(133,398)	(136,733)	(140,151)	(143,655)	(147,246)
	Effective Gross Base Income	**$1,490,955**	**$1,528,229**	**$1,566,435**	**$1,605,595**	**$1,645,735**	**$1,686,879**	**$1,729,051**	**$1,772,277**	**$1,816,584**	**$1,861,998**	**$1,908,548**	**$1,956,262**
II.	Operating Expenses [2]												
	General Operating Expenses	$722,791	$748,088	$774,272	$801,371	$829,419	$858,449	$888,494	$919,592	$951,777	$985,090	$1,019,568	$1,055,253
	Property Taxes	8,167	8,331	8,497	8,667	8,841	9,017	9,198	9,382	9,569	9,761	9,956	10,155
	Services	-	-	-	-	-	-	-	-	-	-	-	-
	Trustee/Bond Issuer Fee	5,500	5,500	5,500	5,500	5,500	5,500	-	-	-	-	-	-
	LACDA Monitoring Fee	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200
	LBCIC Monitoring Fee	12,200	12,200	12,200	12,200	12,200	12,200	12,200	12,200	12,200	12,200	12,200	12,200
	Replacement Reserve	23,100	23,100	23,100	23,100	23,100	23,100	23,100	23,100	23,100	23,100	23,100	23,100
	Total Operating Expenses	**$778,958**	**$804,419**	**$830,769**	**858,038**	**$886,260**	**$915,466**	**$940,192**	**$971,473**	**$1,003,847**	**$1,037,350**	**$1,072,024**	**$1,107,908**
III.	**Net Operating Income**	**$711,997**	**$723,810**	**$735,666**	**$747,557**	**$759,476**	**$771,413**	**$788,859**	**$800,804**	**$812,737**	**$824,648**	**$836,525**	**$848,354**
	(Less) Debt Service [3]	(519,755)	(519,755)	(519,755)	(519,755)	(519,755)	(519,755)	0	0	0	0	0	0
	Net Income After Debt Service	**$192,242**	**$204,055**	**$215,911**	**$227,802**	**$239,721**	**$251,658**	**$788,859**	**$800,804**	**$812,737**	**$824,648**	**$836,525**	**$848,354**
IV.	**Cash Flow Available for Contingent Payments**	**$192,242**	**$204,055**	**$215,911**	**$227,802**	**$239,721**	**$251,658**	**$788,859**	**$800,804**	**$812,737**	**$824,648**	**$836,525**	**$848,354**
	(Less) Asset Mgt Fees [4]	(10,079)	(10,382)	(10,693)	(11,014)	(11,344)	-	-	-	-	-	-	-
	(Less) Deferred Developer Fee #1	0	0	0	0	0	0	0	0	0	0	0	0
	(Less) Partnership Fees [4]	(10,079)	(10,382)	(10,693)	(11,014)	(11,344)	(11,685)	(12,035)	(12,396)	(12,768)	(13,151)	(13,546)	(13,952)
V.	**Cash Flow after Contingent Payments**	**$172,083**	**$183,291**	**$194,524**	**$205,774**	**$217,032**	**$239,973**	**$776,823**	**$788,407**	**$799,969**	**$811,497**	**$822,979**	**$834,402**
	Nominal Dollars												
VI.	**Residual Receipt Payments to LACDA @ 28% RRs**	**$47,801**	**$50,914**	**$54,035**	**$57,160**	**$60,287**	**$66,659**	**$215,784**	**$219,002**	**$222,214**	**$225,416**	**$228,605**	**$231,778**
	Nominal Dollars												
VII.	**Residual Receipt Payments to LBCIC Loan @ 22% RRs**	**$38,241**	**$40,731**	**$43,228**	**$45,728**	**$48,229**	**$53,327**	**$172,627**	**$175,202**	**$177,771**	**$180,333**	**$182,884**	**$185,423**
	Nominal Dollars												
VIII.	**Residual Receipt Payments to Developer @ 50% RRs**	**$86,042**	**$91,646**	**$97,262**	**$102,887**	**$108,516**	**$119,986**	**$388,412**	**$394,204**	**$399,984**	**$405,748**	**$411,489**	**$417,201**
	Nominal Dollars												

1. The affordable rents, Section 8 subsidy and laundry/miscellaneous income are assumed to increase by 102.5%/year. Assumes Year 1 is at stabilization.
2. General operating expenses are assumed to increase by 103.5%/year, property taxes at 102.0%/year and trustee/bond issue fees, LACDA/LBCIC monitoring fees and replacement reserves remain constant.
3. SEE TABLE 3
4. Assumes fees increase at 103.0%/year.

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TABLE 4
CASH FLOW ANALYSIS
26 POINT 2 APARTMENTS
LONG BEACH, CALIFORNIA

		Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30	Year 31	Year 32	Year 33	Year 34
I.	Gross Residential Income [1]												
	Gross Affordable Rental Income	$1,094,059	$1,121,410	$1,149,445	$1,178,181	$1,207,636	$1,237,827	$1,268,773	$1,300,492	$1,333,004	$1,366,329	$1,400,488	$1,435,500
	Gross Section 8 Subsidy	1,055,668	1,082,059	1,109,111	1,136,839	1,165,259	1,194,391	1,224,251	1,254,857	1,286,228	1,318,384	1,351,344	1,385,127
	Laundry & Misc. Income	6,370	6,529	6,692	6,860	7,031	7,207	7,387	7,572	7,761	7,955	8,154	8,358
	(Less) Vacancy & Collection Allowance	(150,927)	(154,701)	(158,568)	(162,532)	(166,596)	(170,760)	(175,029)	(179,405)	(183,890)	(188,488)	(193,200)	(198,030)
	Effective Gross Base Income	**$2,005,169**	**$2,055,298**	**$2,106,680**	**$2,159,347**	**$2,213,331**	**$2,268,664**	**$2,325,381**	**$2,383,515**	**$2,443,103**	**$2,504,181**	**$2,566,785**	**$2,630,955**
II.	Operating Expenses [2]												
	General Operating Expenses	$1,092,187	$1,130,413	$1,169,978	$1,210,927	$1,253,309	$1,297,175	$1,342,576	$1,389,566	$1,438,201	$1,488,538	$1,540,637	$1,594,559
	Property Taxes	10,358	10,565	10,777	10,992	11,212	11,436	11,665	11,898	12,136	12,379	12,626	12,879
	Services	-	-	-	-	-	-	-	-	-	-	-	-
	Trustee/Bond Issuer Fee	-	-	-	-	-	-	-	-	-	-	-	-
	LACDA Monitoring Fee	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200
	LBCIC Monitoring Fee	12,200	12,200	12,200	12,200	12,200	12,200	12,200	12,200	12,200	12,200	12,200	12,200
	Replacement Reserve	23,100	23,100	23,100	23,100	23,100	23,100	23,100	23,100	23,100	23,100	23,100	23,100
	Total Operating Expenses	**$1,145,045**	**$1,183,478**	**$1,223,254**	**$1,264,419**	**$1,307,021**	**$1,351,111**	**$1,396,741**	**$1,443,964**	**$1,492,837**	**$1,543,417**	**$1,595,763**	**$1,649,938**
III.	**Net Operating Income**	**$860,124**	**$871,820**	**$883,426**	**$894,929**	**$906,310**	**$917,553**	**$928,640**	**$939,551**	**$950,266**	**$960,764**	**$971,022**	**$981,017**
	(Less) Debt Service [3]	0	0	0	0	0	0	0	0	0	0	0	0
	Net Income After Debt Service	**$860,124**	**$871,820**	**$883,426**	**$894,929**	**$906,310**	**$917,553**	**$928,640**	**$939,551**	**$950,266**	**$960,764**	**$971,022**	**$981,017**
IV.	**Cash Flow Available for Contingent Payments**	**$860,124**	**$871,820**	**$883,426**	**$894,929**	**$906,310**	**$917,553**	**$928,640**	**$939,551**	**$950,266**	**$960,764**	**$971,022**	**$981,017**
	(Less) Asset Mgt Fees [4]	-	-	-	-	-	-	-	-	-	-	-	-
	(Less) Deferred Developer Fee #1	0	0	0	0	0	0	0	0	0	0	0	0
	(Less) Partnership Fees [4]	(14,371)	(14,802)	(15,246)	(15,703)	(16,174)	(16,660)	(17,159)	(17,674)	(18,204)	(18,751)	(19,313)	(19,893)
V.	**Cash Flow after Contingent Payments**	**$845,753**	**$857,018**	**$868,180**	**$879,225**	**$890,136**	**$900,893**	**$911,480**	**$921,877**	**$932,062**	**$942,013**	**$951,709**	**$961,124**
	Nominal Dollars												
VI.	**Residual Receipt Payments to LACDA @ 28% RRs**	**$234,931**	**$238,060**	**$241,161**	**$244,229**	**$247,260**	**$250,248**	**$253,189**	**$256,077**	**$258,906**	**$261,670**	**$264,364**	**$266,979**
	Nominal Dollars												
VII.	**Residual Receipt Payments to LBCIC Loan @ 22% RRs**	**$187,945**	**$190,448**	**$192,929**	**$195,383**	**$197,808**	**$200,199**	**$202,551**	**$204,861**	**$207,125**	**$209,336**	**$211,491**	**$213,583**
	Nominal Dollars												
VIII.	**Residual Receipt Payments to Developer @ 50% RRs**	**$422,877**	**$428,509**	**$434,090**	**$439,613**	**$445,068**	**$450,447**	**$455,740**	**$460,938**	**$466,031**	**$471,007**	**$475,854**	**$480,562**
	Nominal Dollars												

[1] The affordable rents, Section 8 subsidy and laundry/miscellaneous income are assumed to increase by 102.5%/year. Assumes Year 1 is at stabilization.
[2] General operating expenses are assumed to increase by 103.5%/year, property taxes at 102.0%/year and trustee/bond issue fees, LACDA/LBCIC monitoring fees and replacement reserves remain constant.
[3] SEE TABLE 3
[4] Assumes fees increase at 103.0%/year.

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TABLE 4
CASH FLOW ANALYSIS
26 POINT 2 APARTMENTS
LONG BEACH, CALIFORNIA

		Year 35	Year 36	Year 37	Year 38	Year 39	Year 40	Year 41	Year 42	Year 43	Year 44	Year 45	Year 46
I.	Gross Residential Income [1]												
	Gross Affordable Rental Income	$1,471,387	$1,508,172	$1,545,876	$1,584,523	$1,624,136	$1,664,740	$1,706,358	$1,749,017	$1,792,742	$1,837,561	$1,883,500	$1,930,588
	Gross Section 8 Subsidy	1,419,756	1,455,249	1,491,631	1,528,921	1,567,144	1,606,323	1,646,481	1,687,643	1,729,834	1,773,080	1,817,407	1,862,842
	Laundry & Misc. Income	8,567	8,781	9,000	9,225	9,456	9,692	9,935	10,183	10,438	10,699	10,966	11,240
	(Less) Vacancy & Collection Allowance	(202,981)	(208,055)	(213,256)	(218,588)	(224,053)	(229,654)	(235,395)	(241,280)	(247,312)	(253,495)	(259,832)	(266,328)
	Effective Gross Base Income	**$2,696,729**	**$2,764,147**	**$2,833,251**	**$2,904,082**	**$2,976,684**	**$3,051,101**	**$3,127,379**	**$3,205,563**	**$3,285,702**	**$3,367,845**	**$3,452,041**	**$3,538,342**
II.	Operating Expenses [2]												
	General Operating Expenses	$1,650,369	$1,708,132	$1,767,916	$1,829,793	$1,893,836	$1,960,120	$2,028,725	$2,099,730	$2,173,221	$2,249,283	$2,328,008	$2,409,489
	Property Taxes	13,137	13,399	13,667	13,941	14,219	14,504	14,794	15,090	15,392	15,699	16,013	16,334
	Services	-	-	-	-	-	-	-	-	-	-	-	-
	Trustee/Bond Issuer Fee	-	-	-	-	-	-	-	-	-	-	-	-
	LACDA Monitoring Fee	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200
	LBCIC Monitoring Fee	12,200	12,200	12,200	12,200	12,200	12,200	12,200	12,200	12,200	12,200	12,200	12,200
	Replacement Reserve	23,100	23,100	23,100	23,100	23,100	23,100	23,100	23,100	23,100	23,100	23,100	23,100
	Total Operating Expenses	**$1,706,005**	**$1,764,031**	**$1,824,084**	**$1,886,234**	**$1,950,556**	**$2,017,124**	**$2,086,019**	**$2,157,320**	**$2,231,112**	**$2,307,483**	**$2,386,522**	**$2,468,322**
III.	**Net Operating Income**	**$990,724**	**$1,000,116**	**$1,009,167**	**$1,017,848**	**$1,026,129**	**$1,033,977**	**$1,041,360**	**$1,048,243**	**$1,054,590**	**$1,060,362**	**$1,065,519**	**$1,070,020**
	(Less) Debt Service [3]	0	0	0	0	0	0	0	0	0	0	0	0
	Net Income After Debt Service	**$990,724**	**$1,000,116**	**$1,009,167**	**$1,017,848**	**$1,026,129**	**$1,033,977**	**$1,041,360**	**$1,048,243**	**$1,054,590**	**$1,060,362**	**$1,065,519**	**$1,070,020**
IV.	**Cash Flow Available for Contingent Payments**	**$990,724**	**$1,000,116**	**$1,009,167**	**$1,017,848**	**$1,026,129**	**$1,033,977**	**$1,041,360**	**$1,048,243**	**$1,054,590**	**$1,060,362**	**$1,065,519**	**$1,070,020**
	(Less) Asset Mgt Fees [4]	-	-	-	-	-	-	-	-	-	-	-	-
	(Less) Deferred Developer Fee #1	0	0	0	0	0	0	0	0	0	0	0	0
	(Less) Partnership Fees [4]	(20,489)	(21,104)	(21,737)	(22,389)	(23,061)	(23,753)	(24,465)	(25,199)	(25,955)	(26,734)	(27,536)	(28,362)
V.	**Cash Flow after Contingent Payments**	**$970,234**	**$979,012**	**$987,430**	**$995,459**	**$1,003,068**	**$1,010,224**	**$1,016,895**	**$1,023,044**	**$1,028,635**	**$1,033,628**	**$1,037,984**	**$1,041,658**
	Nominal Dollars												
VI.	**Residual Receipt Payments to LACDA @ 28% RRs**	**$269,510**	**$271,948**	**$274,286**	**$276,516**	**$278,630**	**$280,618**	**$282,471**	**$284,179**	**$285,732**	**$287,119**	**$288,329**	**$289,349**
	Nominal Dollars												
VII.	**Residual Receipt Payments to LBCIC Loan @ 22% RRs**	**$215,608**	**$217,558**	**$219,429**	**$221,213**	**$222,904**	**$224,494**	**$225,977**	**$227,343**	**$228,586**	**$229,695**	**$230,663**	**$231,480**
	Nominal Dollars												
VIII.	**Residual Receipt Payments to Developer @ 50% RRs**	**$485,117**	**$489,506**	**$493,715**	**$497,729**	**$501,534**	**$505,112**	**$508,447**	**$511,522**	**$514,317**	**$516,814**	**$518,992**	**$520,829**
	Nominal Dollars												

1 The affordable rents, Section 8 subsidy and laundry/miscellaneous income are assumed to increase by 102.5%/year. Assumes Year 1 is at stabilization.

2 General operating expenses are assumed to increase by 103.5%/year, property taxes at 102.0%/year and trustee/bond issue fees, LACDA/LBCIC monitoring fees and replacement reserves remain constant.

3 SEE TABLE 3

4 Assumes fees increase at 103.0%/year.

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TABLE 4
CASH FLOW ANALYSIS
26 POINT 2 APARTMENTS
LONG BEACH, CALIFORNIA

		Year 47	Year 48	Year 49	Year 50	Year 51	Year 52	Year 53	Year 54	Year 55
I.	Gross Residential Income [1]									
	Gross Affordable Rental Income	$1,978,852	$2,028,324	$2,079,032	$2,131,007	$2,184,283	$2,238,890	$2,294,862	$2,352,233	$2,411,039
	Gross Section 8 Subsidy	1,909,413	1,957,149	2,006,077	2,056,229	2,107,635	2,160,326	2,214,334	2,269,692	2,326,435
	Laundry & Misc. Income	11,521	11,809	12,105	12,407	12,717	13,035	13,361	13,695	14,038
	(Less) Vacancy & Collection Allowance	(272,986)	(279,811)	(286,806)	(293,976)	(301,326)	(308,859)	(316,580)	(324,495)	(332,607)
	Effective Gross Base Income	**$3,626,801**	**$3,717,471**	**$3,810,407**	**$3,905,668**	**$4,003,309**	**$4,103,392**	**$4,205,977**	**$4,311,126**	**$4,418,904**
II.	Operating Expenses [2]									
	General Operating Expenses	$2,493,821	$2,581,104	$2,671,443	$2,764,943	$2,861,717	$2,961,877	$3,065,542	$3,172,836	$3,283,886
	Property Taxes	16,660	16,994	17,333	17,680	18,034	18,394	18,762	19,137	19,520
	Services	-	-	-	-	-	-	-	-	-
	Trustee/Bond Issuer Fee	-	-	-	-	-	-	-	-	-
	LACDA Monitoring Fee	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200
	LBCIC Monitoring Fee	12,200	12,200	12,200	12,200	12,200	12,200	12,200	12,200	12,200
	Replacement Reserve	23,100	23,100	23,100	23,100	23,100	23,100	23,100	23,100	23,100
	Total Operating Expenses	**$2,552,981**	**$2,640,598**	**$2,731,276**	**$2,825,124**	**$2,922,250**	**$3,022,771**	**$3,126,804**	**$3,234,474**	**$3,345,906**
III.	**Net Operating Income**	**$1,073,820**	**$1,076,873**	**$1,079,131**	**$1,080,544**	**$1,081,059**	**$1,080,621**	**$1,079,172**	**$1,076,652**	**$1,072,999**
	(Less) Debt Service [3]	0	0	0	0	0	0	0	0	0
	Net Income After Debt Service	**$1,073,820**	**$1,076,873**	**$1,079,131**	**$1,080,544**	**$1,081,059**	**$1,080,621**	**$1,079,172**	**$1,076,652**	**$1,072,999**
IV.	**Cash Flow Available for Contingent Payments**	**$1,073,820**	**$1,076,873**	**$1,079,131**	**$1,080,544**	**$1,081,059**	**$1,080,621**	**$1,079,172**	**$1,076,652**	**$1,072,999**
	(Less) Asset Mgt Fees [4]	-	-	-	-	-	-	-	-	-
	(Less) Deferred Developer Fee #1	0	0	0	0	0	0	0	0	0
	(Less) Partnership Fees [4]	(29,213)	(30,089)	(30,992)	(31,922)	(32,879)	(33,866)	(34,882)	(35,928)	(37,006)
V.	**Cash Flow after Contingent Payments**	**$1,044,607**	**$1,046,784**	**$1,048,139**	**$1,048,622**	**$1,048,180**	**$1,046,755**	**$1,044,291**	**$1,040,724**	**$1,035,993**
	Nominal Dollars									
VI.	**Residual Receipt Payments to LACDA @ 28% RRs**	**$290,169**	**$290,773**	**$291,150**	**$291,284**	**$291,161**	**$290,765**	**$290,081**	**$289,090**	**$287,776**
	Nominal Dollars									
VII.	**Residual Receipt Payments to LBCIC Loan @ 22% RRs**	**$232,135**	**$232,619**	**$232,920**	**$233,027**	**$232,929**	**$232,612**	**$232,065**	**$231,272**	**$230,221**
	Nominal Dollars									
VIII.	**Residual Receipt Payments to Developer @ 50% RRs**	**$522,303**	**$523,392**	**$524,070**	**$524,311**	**$524,090**	**$523,378**	**$522,145**	**$520,362**	**$517,996**
	Nominal Dollars									

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[2] General operating expenses are assumed to increase by 103.5%/year, property taxes at 102.0%/year and trustee/bond issue fees, LACDA/LBCIC monitoring fees and replacement reserves remain constant.

[3] SEE TABLE 3

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